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E. I. DU PONT DE NEMOURS & COMPANY
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CHEMICALS, DYES AND PIGMENTS DEPARTMENT

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November 8, 1979

DISTRICT MANAGERS
ASSISTANT DISTRICT MANAGERS
SALES REPRESENTATIVES

Colored Pigment Products Newsletter

Attached is your copy of the November Colored Pigment Products Newsletter. Our objective for this letter is to improve communication from the product group to field sales and support people. This information is confidential and should be treated accordingly.

Please drop me a line or call and indicate items you would like to hear more about. This newsletter will only be as good as we collectively make it.

J. S. THACKRAH

JST:cab

FOR DU PONT USE ONLY

COLORED PIGMENT PRODUCTS DIVISION
NOVEMBER MONTHLY NEWSLETTER

Sales and Earnings

Due to a combination of reduced auto industry demand and a lack of control over order entry, inventories and billings, September revenues were 34% below forecast. Nine months' revenue is 2.1% under forecast and 5.9% above 1978. Pretax earnings are 30% over forecast and 120% over last year. October sales are expected to be 20-25% above September.

Service

Overshadowing the fine improvement in year-to-date financial performance, our timely supply of product and information to customers has deteriorated to an unacceptable level for these reasons:

1. After July shutdown, Newark quality fell off and inventories quickly depleted.

2. Edison Warehouse startup fell short of expectations.

3. Sales Order Center equipment/computer systems did not function as expected.

4. SOC personnel were not adequately prepared to meet the demands placed on them because of problems 1, 2 & 3.

Our number one business priority is to correct this situation. A special management task force has been operating to modify procedures and systems used for controlling production, inventory and orders. Progress is evident, but we are not out of the woods and may not be until December. Inventory levels have increased on many products, but customer service has yet to significantly improve. We are certain that many shipments have been made, but not billed. In the interim, relations with customers can best be served by acknowledgment of the service crunch. It is important that we all realize the problems of the past few weeks are basically growing pains. The Sales Order Center and the Edison Managed Distribution System will be valuable assets to improved service to customers and therefore the long-term health of our business.

Colored Pigment Products Reorganization

The marketing group in the Colored Pigment Products Division previously was organized on a product line rather than industry (market) basis. Under the new organization, market orientation will replace the product line structure. Immediate goals include gaining a sound knowledge and understanding of the market segments we serve, including: (1) product needs, (2) growth prospects and (3) new opportunities relative to Du Pont strengths.

Additionally, we will place emphasis on value-in-use, products and pricing; programs to support the high growth automotive and plastics market segments; and a further shift in product mix toward unique and/or proprietary products with large profit potential.

New group members include John Thackrah, Marketing Manager; Dick Repetto, Product Manager (Paint); and John Kane, Product Technologist (Ink). Although Dick came to us from the New Business Development Group in CR&D, he has spent most of his career in F&F in various Sales and Product Management rolls, which include the Trade and Industrial paint businesses. John Kane transferred from A&BA, where he gained solid experience working on Dye business problems; and John Thackrah, formerly Dye's Sales Manager, brings an excellent background in Market Orientation. Doug Cassel and Don Hoppenjans have the priority growth markets of automotive and plastics, respectively. We are confident that this new level of specialization will lead to increased perspective of the markets we can best serve, improved business planning and direction, and an establishment of priorities that will provide a sound basis for a high-return business.

We all look forward to working with you. Just give us a call and let us know how we can be of service.

Competitive Rumors

Customers, aided by our competitors and poor service, are wondering if we will stay in the colored pigments business. The answer is an emphatic YES, and we plan to outpace our competitors in growth and profitability. We, unlike many competitors, have already made most of the major capital investment in pollution control. We expect to continue to update our plants, expand profitable business segments, and make a strong commitment to new product R&D. Now is the time to stop the rumors. If you can provide us with specific information, like the name of a competitive salesman and a quote, we will have our Legal people contact the competitor. This action helped stop rumors about the Dyes business. Shortly, our service situation will be corrected and support our future intentions with positive actions. We are in the colored pigment business for the long haul, and it is important that your customers receive that message.

General Business Conditions

Concern about the length and depth of the present recession continues in all businesses we serve. Recent information from Chuck Reeder and other economists indicates inventories are building in many areas. We all should be aware of changing business conditions and report trends. Hopefully a repeat of the 1974-1975 inventory problems can be prevented. The credit "crunch" is certainly going to affect all businesses and should be followed closely, particularly at smaller accounts. It is important that you let us know how your customers are facing the present economic climate, and we will do our best to coordinate supply and demand.

Quinacridones

Production rates have improved and order backlog is declining. We plan to continue increasing inventories until we are able to ship

98% of our orders within one day of requested ship date. By early November we should be in an improved supply position on RT-791-D, RT-792-D, YT-815-D and YT-823-D. We have had continuing manufacturing quality problems with RT-733-D. This product is low in volume and high in cost. In our next newsletter we will detail our obsoletion plans. In the meantime, we have 5M lbs. of 10% weak material available at $15.00/lb.

CPC Blue

It now appears there will be no need for CPC allocation. Although the Japanese crude used by our competitors to make finished CPC blue has been in short supply, most manufacturers have found alternates or used inventory to cover requirements. We believe inventories overall in the country are still quite low. Due to our own production problems, particularly with flocculation-resistant BT-425-D and BT-427-D, we have been unable to capitalize on new opportunities. We anticipate most problems are behind us and we expect to be in a satisfactory inventory position by January.

CPC Green

Inventories are very high. GT-805-D had quality and process problems, but is now back on track.

Inorganics - Regulatory Impact

In its first action to protect worker fertility and health of the unborn, OSHA on October 10 cited American Cyanamid for violations of health standards at its Willow Island, WVA, plant (See New York Times article, Attachment 1). The ramifications of this case may have far-reaching impact on many manufacturing operations in addition to lead chromates. We believe we are in a much better position than any of our competitors in the inorganic pigment business and plan to continue to invest major sums to increase market share if new government regulations allow.

It is in our best interest that customers be well informed regarding existing and proposed legislation. To this end we previously prepared and distributed a compliance manual, and in selected cases, we have arranged customer visits to Newark and offered consultation at customer locations with engineers from Newark's Environmental Group. We have also conducted seminars in the Cleveland, Wynnewood and Charlotte Districts. On behalf of your customers, please take advantage of these services.

We plan to update our compliance manual as information becomes available by subsequent mailings to those having copies and who have returned receipts. The distribution of manuals and receipts on record by districts are contained in attachment 2. Additional copies of the Manual are available from W. H. Miller (CD&P N-2496).

Supply

Except for low-dust Krolor and moly orange codes YE-698-D and YE-421-D, all inorganics are now in an improved supply position. Krolor capacity and inventory standards are increasing.

Domestic Lead Chromate consumption (ex-Krolor ®) through July was 53MM pounds, up 9% vs. LYTD. Our sales were down slightly and our share dropped 3 points to 22%. However, our average realized price increased almost 20% and our business is probably more profitable than it has ever been.

Formerly a large importer, Kikuchi are starting up lead chromate production facilities in New Jersey. Their stated intention is to begin by making chrome yellow for traffic paint and to sell through Ravelli. Please let us know to whom they sell and at what price.

Krolor ® lead chromates are also sensitive to OSHA regulations. Our best defense is more aggresive promotion of our 900 series low-dust Krolor® products. Your customers are now preparing their compliance programs and coming to grips with the costs involved. Switching to low-dust products is one of the lowest cost and most constructive steps they can take. A sales aid covering these products was distributed earlier this year. Additional copies are available from W. H. Miller.

Krolor ® products are the target of increasing competition. Please let us know if the following are promoted to your customers:

Ciba Geigy - SKEPTRE

Synergistic (Toho Ganryo) - Eternal yellow 1500 & 2500

"Watchung" - Supply has marginally improved. Tight inventory positions exist with RT-761-D. By mid-November customer shipments will be made for RM-417-D, RW-635-P, RT-698-D, RT-710-D, and RT-841-D. All other products are in reasonable supply.

Dalamar ® - Inventories for some key codes remain below requirements. Adequate stock is currently on hand for YT-717-D, YW-718-P, and YW-822-P. By mid-November we expect to make shipments of YW-731-P, YW-811-P, YT-820-D, and YT-858-D. We will continue in a tight supply position on YT-808-D into December.

Dalamar ® YT-858-D is a color match for YT-717-D but with improved crystal stability. By January 1, 1980, we plan to formally announce the discontinuance of YT-717-D. Currently we have 30M lbs. in inventory. Pursuit of new business should be with YT-858-D.

Price Increases

Our October 15 price increase for products with post-October 31 shipping dates is in effect. We welcome any customer feedback. We have had very little so far.

We would appreciate a copy of the recently announced Ciba-Geigy/Hercules increase. In the next newsletter we will provide a competitive pricing profile.

R. A. REPETTO

CHEMICALS, DYES AND PIGMENTS DEPARTMENT

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November 9, 1979

DISTRICT MANAGERS
ASSISTANT DISTRICT MANAGERS
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COLORED PIGMENT PRODUCTS NEWSLETTER

The enclosed two attachments were inadvertently omitted from copies of the November Newsletter dated November 8..

J. S. THACKRAH

ATTACHMENT 1.

U.S., in a New Use of Law, Cites Plant for Fertility Risk

10/11/79

By PHILIP SHABECOFF
Special to The New York Times

WASHINGTON, Oct. 10 — The Government, in its first action to protect worker fertility and the health of the unborn under the occupational health and safety law, today cited the American Cyanamid Company for violations of health standards at a plant in Willow Island, W. Va.

Until now, the law has been used to change workplace conditions that made workers sick or caused them injury. Today's action "breaks new ground," according to Eula Bingham, Assistant Secretary of Labor for health and safety, by finding that a company whose working conditions are so hazardous that women must be sterilized to keep their jobs is violating the law.

The problem at Willow Island came to light late last year when four women working at the Cyanamid plant disclosed that they had been voluntarily sterilized to keep their jobs in the plant's lead pigment section. The company has acknowledged not letting fertile women work in certain areas because exposure to chemicals might harm fetuses or affect fertility, but it has said it offered them transfers to other jobs, possibly at lower pay.

In its citation today, the Occupational Health and Safety Administration ordered the company to end the health hazards that threatened the reproductive capacity of workers at the plant, and fined the company $10,000 for violating health and safety standards.

Extension of Law's Provisions

"What this citation is saying," Dr. Bingham said in a telephone interview, "is that companies are required to make the workplace safe for men and women. Part of making it safe is making it safe for reproductive capacity."

Anthony Mazzocchi, director of health and safety for the Oil, Chemical and Atomic Workers Union, hailed the action as "a landmark" that would have a major impact in plants across the country.

"This is the first time that the Federal Government has said that the workers' right to conceive and bear children is backed by the law," said Mr. Mazzocchi, an activist in the occupational health and safety arena.

"In the past, companies changed the configuration of workers to conform to the need of the workplace," he said. "This citation says they can't do that kind of 1984 stuff any more. Now they have to change the configuration of the workplace to protect the workers."

Company Has No Comment

A Cyanamid spokesman, asked to comment on the OSHA citation, said, "We have not received a copy at our headquarters yet. Therefore we have nothing to say at this point." The company has 15 days to appeal the citation.

Officials of the health agency said the citation was based on a three-month inspection of the Willow Island plant that found a "willful violation" of rules protecting workers. In addition to the hazards to fertility, the agency found other violations involving excessive exposure of workers to lead and chromates.

Only in the last year or so have occupational threats to worker fertility and genetic structure caused concern at the policy-making level of Government. There is no documentation about how serious the problem is, but it is increasingly believed in Government and scientific circles that there is a threat of significant magnitude.

Threats to fertility in the workplace are regarded by the Government and some public-interest groups not only as a health problem but also as a civil rights and civil liberties issue arising from the exclusion of workers of child-bearing potential from certain jobs.

Widespread Exclusions

A number of companies, particularly in the chemical and nuclear fields, have made a practice of excluding women of child-bearing age from certain jobs as a means of protecting fetuses.

Earlier this year Dr. Bingham, noting the high incidence of deformed children and stillbirths in the country, said, "The more we learn about the effects of environmental toxic exposures on reproduction, the more we suspect that it is a substantial burden."

ATTACHMENT 2.

CHROMATE COMPLIANCE PROGRAM DISTRIBUTION

District	Binders Sent	Customers	Cards Returned
Charlotte	167	142	99
Chicago	359	214	202
Cleveland	225	155	209
Houston	175	145	120
New York	325	309	173
San Francisco	265	239	50
Wynnewood	125	100	76
Wilmington	3	3	3
Transfers	12	12	12

9/24/79
WHM